

- "(C) VALUATION OF QUALIFIED PAYMENTS WHERE NO LIQUIDATION, ETC. RIGHTS.—In the case of an applicable retained interest which is described in subparagraph (B)(i) but not subparagraph (B)(ii), the value of the distribution right shall be determined without regard to this section."
- (2) Section 2701(a)(3)(B) is amended by inserting "CERTAIN" before "QUALIFIED" in the heading thereof.
- (3) Sections 2701 (d)(1) and (d)(4) are each amended by striking "subsection (a)(3)(B)" and inserting "subsection (a)(3)(B) or (C)."
- (2) Clause (i) of section 2701(a)(4)(B) is amended by inserting "(or, to the extent provided in regulations, the rights as to either income or capital)" after "income and capital".
- (3)(A) Section 2701(b)(2) is amended by adding at the end thereof the following new subparagraph:
"(C) APPLICABLE FAMILY MEMBER.—For purposes of this subsection, the term 'applicable family member' includes any lineal descendant of any parent of the transferor or the transferor's spouse."
- (B) Section 2701(e)(3) is amended—
- (i) by striking subparagraph (B), and
- (ii) by striking so much of paragraph (3) as precedes "shall be treated as holding" and inserting:
"(3) ATTRIBUTION OF INDIRECT HOLDINGS AND TRANSFERS.—An individual".
- (C) Section 2704(c)(3) is amended by striking "section 2701(e)(3)(A)" and inserting "section 2701(e)(3)".
- (4) Clause (i) of section 2701(c)(1)(B) is amended to read as follows:
"(i) a right to distributions with respect to any interest which is junior to the rights of the transferred interest."
- (5)(A) Clause (i) of section 2701(c)(3)(C) is amended to read as follows:
"(i) IN GENERAL.—Payments under any interest held by a transferor which (without regard to this subparagraph) are qualified payments shall be treated as qualified payments unless the transferor elects not to treat such payments as qualified payments. Payments described in the preceding sentence which are held by an applicable family member shall be treated as qualified payments only if such member elects to treat such payments as qualified payments."
- (B) The first sentence of section 2701(c)(3)(C)(ii) is amended to read as follows: "A transferor or applicable family member holding any distribution right which (without regard to this

subparagraph) is not a qualified payment may elect to treat such right as a qualified payment, to be paid in the amounts

and at the times specified in such election."

(C) The time for making an election under the second sentence of section 2701(c)(3)(C)(i) of the Internal Revenue Code

of 1986 (as amended by subparagraph (A)) shall not expire before the due date (including extensions) for filing the transferor's return of the tax imposed by section 2501 of such Code

for the first calendar year ending after the date of enactment.

(6) Section 2701(d)(3)(A)(iii) is amended by striking

the period ending on the date of.